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In the Supreme Court of the United States

OCTOBER TERM, 1976

No. 76-197

MOHASCO INDUSTRIES, INC.,
FUTORIAN MANUFACTURING CORP. and
SUPER SAGLESS SPRING CORP.,
PETITIONERS,

v.

ALBERT M. SPOUND, JOSEPH SPOUND
and MORRIS LOEB,
RESPONDENTS.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

BRIEF OF RESPONDENTS IN OPPOSITION

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Opinions Below

The opinion of the District Court dated May 16, 1974 (Appendix B of the Petition) is set forth at 186 USPQ 183. The opinion of the Court of Appeals for the First Circuit dated April 16, 1976 (Appendix C1 of the Petition) is set forth at 534 F.2d 404. The unpublished Addendum to

the opinion of the Court of Appeals is set forth at Appendix C2 of the Petition. The Memorandum of the Court of Appeals on the Petition for Rehearing dated May 13, 1976 is set forth at Appendix C3 of the Petition.

Jurisdiction

Jurisdiction below was based on 28 USC §1331(a) and §1332(a).

Counterstatement of Questions Presented

1. Was the Court of Appeals correct in holding that:
   (a) the evidence was sufficient to warrant the denial of a directed verdict,
   (b) the evidence was sufficient to warrant the jury's finding of $3.75 as a reasonable royalty,
   (c) the evidence was sufficient to warrant the jury's determination that the invention disclosed in a now expired patent was not obvious?

2. Were the factual determinations of a jury and the decisions of two courts, all of which reached the same result in their interpretations of a 1961 license agreement, warranted by the evidence?

3. Was the Court of Appeals correct in affirming, or finding no prejudice, in jury instructions as to:
   (a) the weight of the presumption of patent validity, where such presumption played no part in the jury's deliberations or the outcome of the case,
   (b) the applicable art being furniture-making, where the products involved were chairs, the patents were on chairs and the invention was in the area of furniture development?

4. Did the determination of obviousness as a question of fact have any effect on the case below?

5. Did the determination by a jury, the review of the record by the district judge and his ruling that the patent was valid, and the examination of the patent and the review of the record by the Court of Appeals, all of which reached the same result, afford an adequate factual and legal basis for the conclusion of patent validity?

6. Was any issue of licensee estoppel raised where the jury and two lower courts had found a license agreement terminated for breach and misconduct unrelated to any challenge to patent validity and the jury had found a reasonable royalty for defendants' deliberate infringement?

7. Was the Court of Appeals correct in concluding that the controversy about the license agreement concerned a private contract dispute of interest only to the parties and involved no issues of law or public policy?

Constitutional and Statutory Provisions Involved

The constitutional and statutory provisions involved are correctly set forth in the Petition.

Counterstatement of the Case

This was a Complaint for Declaratory Judgment to enforce a license agreement which was terminated by the respondents because of the petitioners' misconduct and breach.[1] The agreement consisted of two side letters dated

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[1]The petitioners-defendants in this case (hereafter "petitioners") are Mohasco Industries, Inc. (Mohasco), Futorian Manufacturing Corp. (Futorian), a Mohasco subsidiary, and Super Sagless Spring Corp. (Super Sagless), another Mohasco subsidiary. Both Super Sagless and Futorian were acquired by Mohasco in or about 1964.

April 1, 1961 and an "Agreement" of March 31, 1961 (Appendix A of the Petition). These three documents were treated as an integrated contract (Pet.5). The agreement listed a number of patents and a patent application, all of which concerned a low back reclining chair with a hidden headrest which arose automatically out of the back of the chair as it reclined. The subject matter of the agreement was the central issue of the case and the subject of extensive controversy and conflicting contentions (Pet.32a, 41a-49a). To aid in the interpretation of the agreement, both the trial court and the Court of Appeals relied on parol evidence.

The case was tried for ten days in May 1974 and submitted to the jury on 17 Interrogatories, all of which were answered favorably to the respondents-plaintiffs (Pet.24a-27a). The jury was asked the intention of the parties both as to the subject matter of the agreement and the meaning of the defined term "Invention". The jury was also asked to determine whether any royalty was due, whether the petitioners' devices infringed the respondents' invention, the amount of a reasonable royalty for infringement, and whether the respondents' invention would have been obvious to one skilled in the furniture art (Pet.24a-28a).

After the jury had returned its answers, the district judge took the entire record under advisement and awaited the transcript and briefs (Pet.12a). In May 1975, he filed a Memorandum (Pet.12a) indicating his complete review of the record. He held that the jury's findings of non-obviousness were warranted by the evidence and held the '992 patent valid as a matter of law (Pet.15a). He reviewed the evidence concerning another patent mentioned in the agreement, the '374, and held it invalid for double patenting (Pet.16a-19a).

The District Court reviewed the evidence on infringement damages, upheld the jury's finding of a reasonable royalty of $3.75 and declined to assess the respondents any further damages or penalties (Pet.20a-21a).

Judgment was entered in accordance with the trial judge's Memorandum and the petitioners appealed.

On April 16, 1976 the Court of Appeals affirmed the judgment in a published opinion (Pet.30a). In an unpublished Addendum which the Court said involved "no legal questions but only highly specialized facts of interest only to the parties" (Pet.33a), the court reviewed the parties' conflicting interpretations of the agreement and reached an interpretation consistent with that asserted by the respondents (Pet.41a). The petitioners' interpretation was rejected and the result reached by the jury and the district judge was affirmed, the Court of Appeals holding that (1) the evidence warranted the jury's findings; (2) the petitioners' Motion for a Directed Verdict was rightly denied (Pet.48a-49a) and (3) there was no error in the trial judge's instructions (Pet.36a-38a, 50a-52a). The Court of Appeals denied the petitioners' Motion for Rehearing by Memorandum dated May 13, 1976 (Pet.50a). Certiorari is now sought from the judgment of the Court of Appeals.

Counterstatement of Facts

The trial below involved low-back reclining chairs and specifically the "pop-up" headrest chair invented by Spound (one of the respondents) and licensed to the petitioners in 1961. Spound's invention embodied in the '992 patent was a revolutionary development in the furniture industry and was a substantial advance over the prior art, producing new and useful results never before achieved in a chair[2] (Tr.30-31). Nothing like it had ever existed and

[2] The petitioners inaccurately describe the invention when they state (Pet.6) that "the basic idea of an *elevatable* headrest in a reclining chair is very old . . ." (emphasis added). The case was not about an "elevatable headrest" (which would include old hand-operated headrests—see Tr.540-548) but about reclining chairs with hidden headrests which rise automatically as the chair reclines (Tr.12-14). Any inference in the petition that this chair was found in the prior art is contradicted by the record including the testimony of the petitioners' expert (Tr.541, 819-820).

even prior to the 1961 licensing agreement it had immediate commercial success and was licensed to chair manufacturers at substantial royalties (Tr. 307; Ex.7, p.16; Ex.15, p.27).

After the introduction of Spound's chair in 1958, the petitioners wanted to become exclusive licensees for all Spound's pop-up headrest chair inventions and wanted Spound's rights under all patents and patent applications for this type of chair (Tr.428, 982; Pet.32a). Specifically, the petitioners wanted Spound's "entire package of rights" to the pop-up headrest chair so they would be able to manufacture and sell these chairs exclusively without claims of infringement or demands for additional royalties (Tr.435-436). In exchange for these rights, the petitioners wanted to pay a single royalty and it made no difference to them what patents or patent applications were listed in the agreement (the drafting of which was left to the lawyers) as long as it included everything that Spound owned concerning pop-up headrest chairs (*Id.*).

Since Spound also wanted to license all of his rights exclusively in exchange for a single royalty, the agreement of March 31/April 1, 1961 resulted (Tr.58, 118). It listed all of Spound's pop-up chair patents as well as a patent application (the 89402) and granted the petitioners a license under the "Invention", a term used ambiguously throughout the agreement in different contexts.

After the agreement had been in effect for about a year, the 89402 patent application referred to therein was rejected by the Patent Office.[3] The petitioners were not concerned about the rejection nor did they then contend

[3]The 89402 improvement was merely a tiny latch that supposedly kept the headrest from collapsing (Tr.113-114). The application was rejected as not patentable over Spound's own invention (Tr.69).

that the subject matter of the agreement was the 89402 application (Tr.72-76). They agreed that they still had all of Spound's rights to his pop-up chair inventions; they continued as exclusive licensees and continued to pay royalties (Tr.65-67, 72-80, 248).

Seven years later, one of the petitioners (Futorian) introduced its own pop-up headrest chair which it had been secretly developing during the period when the petitioners were assuring Spound that they were working to solve certain mechanical problems of the '992 which had caused sales to cease in the mid-1960's (Tr.79-82, 318-319). When Spound discovered the Futorian chair and the petitioners' extensive marketing plans in 1969, he demanded royalties which were refused (Pet.42a). The basis of the refusal was not that the '992 patent was invalid or that the 1961 licensing agreement was terminated for that reason. Rather, the respondents claimed that the royalty-bearing subject matter of the agreement was only the 89402 application (which had been rejected seven years earlier) and that a "free" license had been granted under the '992 and other patents (Ex.29, p. 149; Pet.42a). Accordingly, they insisted that the license agreement remained in full force and effect and that it gave them the right to manufacture all of Spound's pop-up headrest chair inventions without paying any royalties whatever (Pet.32a-33a, 42a). The petitioners continued to assert this position throughout the trial and appeal, despite the history of the agreement, the intention of the parties and the inequitable windfall which would result.[4]

After the agreement was terminated by the respondents, the petitioners continued to make and sell their own chair

[4]This position was first taken in 1970 (Ex.29, p.149) and contradicted the express intention and purpose of the petitioner (Super Sagless) which negotiated and executed the agreement in 1961. The evidence showed that Super Sagless' understanding of the agreement was that royalties would still be paid even if no patent issued on the 89402 (Tr.528).

which they had developed and copied while still an exclusive licensee under the agreement. Such chair, which clearly infringed the respondents' chair, was an outstanding commercial success (Pet.42a). There was abundant evidence on royalties and royalty rates (Ex.15, p. 37,59,66; Tr.148) and the jury found that $3.75 was a reasonable royalty for infringement under all the circumstances (Pet.27a).

In 1976, the '992 patent expired. The invention described therein can now be made by anyone in the furniture industry and no monopoly on such invention presently exists.

Reasons Why the Writ Should Not Be Granted

The Case Involves No Principles of Public Importance

(1) This case arose out of a complicated 1961 licensing agreement which was the subject of conflicting interpretations supported by much parol evidence. The agreement has long been terminated and the '992 patent, which was licensed under the agreement and now raises the principal issues discussed in the Petition, has expired.

The petitioners sought to interpret the 1961 agreement in a way which would allow them to have the benefits of the '992 patent without any obligation to pay royalties. The jury rejected this interpretation (Pet.24a-25a). The Court of Appeals found that the interpretation made no sense and was disruptive and overreaching (Pet.33a, 52a). The Court of Appeals further concluded that the jury was warranted in finding in accordance with the respondents' contentions as to the subject matter of the agreement (Pet.48a).

In its published opinion, the Court of Appeals did not even include an analysis and interpretation of the agreement but reserved its discussion of the specialized facts of the case for an unpublished Addendum. Noting that the issues involved were of little importance to the public, the Court stated that (Pet.32a-33a):

> "No questions of law are involved but only highly subjective facts of no interest to anyone but the parties..."

In view of the issues decided by the District Court and the Court of Appeals, it is clear that any review by this Court would concern only the peculiar facts and evidence in this case and would not involve any issues or principles of public importance. Further, since the license agreement has terminated and the patent has expired, there is no continuation of any monopoly nor can any argument be made that this patent or licensing agreement has any effect on the furniture industry. Any manufacturer can freely make the invention and the petitioners' contention that this case involves important commercial considerations or in any way affects or deals with a patent monopoly is wholly incorrect.[5] Accordingly, while the issues may still be of interest to the parties, no important questions of federal policy or patent law are involved which are appropriate for review by certiorari. *See Layne & Bowler Corp.* v. *Western Well Works, Inc.*, 261 U.S. 387, 393 (1923); *see also Mills* v. *Green*, 159 U.S. 651, 653 (1895).

(2) The issues which arose during the trial basically involved factual questions which were determined by the jury in the answers to seventeen Interrogatories. Not only did the jury find against the petitioners, but the trial judge independently reviewed the entire record, concluded that the evidence warranted the jury's findings under 35 U.S.C. §103 and held the '992 patent valid as a matter of law.

The Court of Appeals found no error of law in the resolution of this private contract dispute and concluded that the evidence warranted the jury's findings. That the Court

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[5] The existence of two infringement cases still pending in two district courts, which cases have long been dormant, is clearly no basis for granting certiorari.

of Appeals may have taken a slightly different interpretation of the agreement from that of the parties is no basis for certiorari, especially since the result reached by the Court of Appeals was the same result reached by the jury and by the District Court. *Cf. National Labor Relations Board* v. *Pittsburgh Steamship Co.*, 340 U.S. 498, 503 (1951).

(3) While opinions have differed in describing obviousness as a question of law or one of fact, there is no dispute whatever that (a) the basic statutory issue of patent validity is a matter of law and (b) that the basic criteria for determining obviousness, namely the scope of the art, the level of skill and the differences between the invention and the prior art, are matters of fact. *See Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966). Thus, whether the finding of obviousness has been made by a judge or a jury, the ultimate determination of patent validity remains for the trial judge who applies the law to the facts found. In this case, for example, the jury found that both the '992 and the '374 were not obvious. There was no "rubber stamp" or automatic finding of validity by the trial judge. Instead, he held the matter under advisement for a substantial period, studied the transcript, reviewed the evidence and ruled that the '992 was valid and that the '374 was invalid.

In patent litigation, the determination of patent validity is uniformly made by the trial judge whether he or the jury has initially determined the issue of obviousness. Further, the cases which the petitioner cites (Pet.14-15) as allegedly presenting different views of obviousness, clearly demonstrate such uniformity in judicial treatment of the ultimate legal issue of patent validity. *Compare Moore* v. *Shultz*, 491 F.2d 294 (10th Cir.), *cert. denied*, 419 U.S. 930 (1974) (patent reviewed by court and held valid after jury verdict); *Shaw* v. *E. B. & A. C. Whiting Co.*, 417 F. 2d 1097 (2d Cir. 1969), *cert. denied*, 397 U.S. 1076 (1970) (patent reviewed by court and held valid in non-jury case); *Diamond International Corp.* v. *Maryland Fresh Eggs, Inc.*, 523 F. 2d 113, 121 (4th Cir. 1975), *cert. denied*, 96 S. Ct. 1113 (1976) (non-jury case — "academic" whether obviousness is a question of law or fact). Thus there is no "real and embarrassing conflict of opinion and authority between the circuits", *Layne & Bowler Corp.* v. *Western Well Works, Inc.*, 261 U.S. 387, 393, and there is no basis for the petitioners' unsubstantiated assertion that patent validity is "measured by different standards in different circuits" (Pet.13).

In addition, since 90-95 percent of all patent trials are non-jury, the question whether obviousness is a matter of law or fact has no great significance in such cases because the court both determines the facts and applies the law. In the very few patent cases annually tried to juries — less than ten on an average [6] — such an issue would come into play only when obviousness was determined by the jury and even then would still result in the judge's reviewing the sufficiency of evidence to support such determination (as the District Court did here). Such a minor difference in procedure is clearly not of a magnitude sufficient to warrant review of this case by certiorari.

Finally, whether obviousness was an issue of fact or law was of no significance in the outcome of this case inasmuch as both the jury and the district judge concluded independently that the '992 invention was not obvious. Non-obviousness was thus found as a matter of fact and as a matter of law. The Court of Appeals affirmed the jury's findings and also found non-obviousness as a matter of law, stating (Pet.51a):

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[6] These figures are taken from the Annual Report of the Director of the Administrative Office of the United States Courts for 1970-1975. In the year 1970 only 3 patent cases of 117 were tried to a jury; in 1971: 7 of 115; in 1972: 2 of 123; in 1973: 7 of 105; in 1974: 6 of 89; in 1975: 15 of 142.

> "We are not prepared to say as a matter of law that a close fitting 'pop-up' headrest is but an obvious advance over [certain prior art]."

For these reasons, any review by this Court concerning obviousness as an issue of fact or law would neither affect the result of this case nor involve any important principles of patent law. Petitioners are in effect seeking to have this Court review an abstract or academic question or at best minor issues which have no widespread significance. Such considerations do not merit review by certiorari. As this Court said in *Rice* v. *Sioux City Memorial Park Cemetery, Inc.*, 349 U.S. 70, 74 (1955), certiorari should not be granted to review an issue which may

> "... abstractly considered ... present an intellectually interesting ... problem ... [T]his Court does not sit to satisfy a scholarly interest in such issues. Nor does it sit for the benefit of the particular litigants ... 'Special and important reasons' imply a reach to a problem beyond the academic or the episodic."

See also Hamilton-Brown Shoe Co. v. *Wolf Brothers & Co.*, 240 U.S. 251, 258 (1916) (certiorari should be "exercised sparingly, and only in cases of peculiar gravity and general importance").

(4) The petitioners' rhetoric that the decision of the Court of Appeals "breathed life into a long abandoned patent application" and in substance "created a patent" (Pet.11) neither accurately summarizes the actions of the jury and two courts, nor describes any issues worthy of review by this Court.

The jury had found that the subject matter of the agreement was not restricted to the 89402 application and that the intention of the parties was not to grant the petitioners

any "free" licenses (Pet.24a-25a). The Court of Appeals reviewed these determinations and the conflicting interpretations of the agreement. Using the circumstances in 1961 and parol evidence as to the intention of the parties, the Court of Appeals rejected the petitioners' narrow interpretation as making no apparent sense (Pet.52a). The court's decision clarified the subject matter of the agreement, approved the jury's finding, and reached the same result (Pet.49a). Such an interpretation of a "highly imperfect" agreement to which "one of the more disruptive features was contributed by the defendant" (Pet.52a) was clearly permissible and in accord with the evidence and settled principles of contract interpretation. The parties never intended to limit the subject matter of the agreement to a narrow and unpatentable improvement in the '402 application. The petitioners' present arguments against the Court of Appeals' decision are no more than a re-assertion of their rejected interpretation of the agreement and an attack on the admissibility of parol evidence under Massachusetts law.

In any event, whatever the interpretation of the precise language of this agreement, the Court of Appeals ultimately concluded that the jury was warranted in finding that the petitioners' contention that they could make and sell the '992 without paying royalties was not justified (Pet.48a) and that:

> "The rights that defendant saved were with respect to a directed verdict and this we must hold it was not entitled to." (Pet.49a)

In view of these holdings and the highly individualized facts of this case, certiorari should not be granted merely to review the sufficiency of the evidence, or to consider issues which have no public significance. *See National Labor*

Relations Board v. *Pittsburgh Steamship Co.*, 340 U.S. 498,503.

(5) The District Court found that the art involved was that of the furniture manufacturer and not that of a mechanical engineer. The Court of Appeals approved this instruction as to the '992 invention, holding that it was not prejudicial "since the idea of a pop-up headrest was strictly a furniture design concept . . ." and "the test was the knowledge of furniture designers" (Pet.37a-38a).

The challenged instruction and the Court of Appeals' decision in no way "usurped" the jury's function, and were not contrary to *Graham* v. *John Deere Co.*, 383 U.S. 1. The jury was fully instructed as to prior art and no evidence of prior art was excluded from its consideration. The products and prior art involved in this case were chairs, the industry involved was the furniture industry and the patent was on a chair. There was ample documentary and testimonial evidence before the jury, including numerous chairs and other physical exhibits, to justify the District Court's instruction or to render any error harmless. Review by this Court of such evidence would raise and decide no important issue of patent law or policy. This is especially true where the patent has expired, the agreement has terminated, and there was an overwhelming preponderance of persuasive evidence to support the conclusion of both courts that the '992 invention was non-obvious.

(6) Although the petitioners complain about the trial judge's instruction on the presumption of patent validity and the Court of Appeals' statement about the presumption, the case was not decided on a presumption nor was the presumption of any significance in the outcome of the trial or the appeal. At trial, the petitioners introduced a variety of evidence trying to show obviousness, including much expert testimony and voluminous prior art. The trial judge gave a standard instruction on presumption of validity,

which was taken from the statute, 35 U.S.C. §283 (Tr.1011). The jury was then asked seventeen Interrogatories, none of which depended on the use or weight of the presumption (Pet.24a-28a, 50a). The jury resolved the evidence against the petitioners and concluded that the '992 was non-obvious. This conclusion was not based on a presumption but on all the evidence which, as the Court of Appeals stated, "justified if not compelled" such a result (Pet.36a). Further, the trial judge completely reviewed the record, adopted the jury's findings and made his own legal conclusions on validity (Pet.13a-19a). Thus, whether the presumption is a heavy burden or a light one and whether it was weakened by any particular prior art would in no way affect the result in this case, nor is it of any general importance or significance in patent law or policy.[7]

(7) As set forth below at greater length, the petitioners' extensive discussion attacking the jury's determination of a reasonable royalty raises no issue of importance nor does such determination conflict with any decision of this Court. See pages 16-19 *infra*.

The Decision of the Court of Appeals Does Not Conflict With Any Decisions of This Court

(1) Neither the jury's verdict nor the decisions below conflict with *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969) or affect the principle of *Lear* that a licensee is not estopped to challenge the validity of the patent. The facts of this case raised no such issues and did not resemble *Lear* in any way. The supposed "chilling effect" on such challenges now imagined by the petitioners was not raised in the District Court or the Court of Appeals and was never an

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[7] In any event, petitioners' argument is academic because the most pertinent prior art was in fact considered by the Patent Office. See brief below of plaintiffs-appellees, pp. 79-82.

issue in the case. Further, nothing in the decision of the Court of Appeals creates any risk for a licensee or affects his right to challenge the validity of a patent or to terminate a license agreement on that ground. Here, the petitioners made a deliberate tactical choice not to terminate the agreement for alleged invalidity of the '992 but attempted to keep its benefits and pay nothing in exchange.[8] The petitioners therefore adopted the position not that the patents were invalid and the agreement unenforceable, but that the agreement remained in full force and effect and gave them a "free" license under the '992 to make and sell the invention. The decision of the Court of Appeals rejected this inequitable interpretation, holding that the petitioners were "not entitled to escape liability on the ground that the agreement permitted free use of the patents" (Pet. 33a). Thus, in these specialized circumstances, the decision of the Court of Appeals involves no limitations whatever on *Lear* nor has any negative effect on any licensee's challenge to a patent or to a license.

(2) The mere fact that the jury in 1974 found that a reasonable royalty under 35 U.S.C. §284 for the petitioners' intentional infringement was $3.75 and that an agreement fourteen years earlier in 1961 had included a royalty of $1 neither limits the principles of *Lear, Inc.* v. *Adkins*, 395 U.S. 653, nor conflicts in any way with *Aro Manufacturing Co., Inc.* v. *Convertible Top Replacement Co., Inc.*, 377 U.S. 476 (1964).

Neither *Lear* nor *Aro* restricts the traditional function of the jury in determining a reasonable royalty nor do these cases limit the licensor's right to terminate a license for misconduct and breach—a termination which the Court of Appeals found was fully warranted on the evidence (Pet.

[8] In addition, the petitioners developed and patented their own chair which clearly infringed the respondents' chair (Tr. 375-376, 389-391; Pet. 26a). At the trial and in the appeal, they offered no defense to the charge of infringement.

33a). As infringers, the petitioners were liable for damages which, under the statute, could not be less than a reasonable royalty. 35 U.S.C. §284. Under appropriate instructions, the jury resolved conflicting evidence as to royalty rates and amounts, and, in answer to Interrogatory No. 16, found that $3.75 was a reasonable royalty (Pet. 27a).

The petitioners did not object to this Interrogatory, to the jury's answer, or to the court's careful charge on damages (Tr. 1007-1010). In fact, the petitioners requested a jury instruction that the proper measure of damages was a reasonable royalty (A. 75). Both the District Court and the Court of Appeals found that the jury finding of a reasonable royalty was supported by substantial evidence (Pet. 33a-34a). The petitioners' argument that *Aro*, as a matter of law, limits the damages for infringement in 1974 to a royalty reached in 1961 as part of a now-terminated license agreement is wholly incorrect. Such an argument not only contradicts the express language of 35 U.S.C. §284 but ignores the fact that *Aro* does not in any way vitiate the statutory requirement that damages be no less than a reasonable royalty. *Zegers* v. *Zegers, Inc.*, 458 F. 2d 726, 729 (7th Cir. 1972). Finally, *Aro* does not even concern itself with the issue of a reasonable royalty but deals primarily with the amendment to 35 U.S.C. §284 which eliminated the direct recovery of profits as damages.

In reaching its determination as to a reasonable royalty, the jury had evidence that between 1958 and 1961 the royalty under prior licenses ranged from 2% to 5% of the selling price (Tr. 148-149) and that in 1961 the royalty was low because the chair had experienced operational difficulties. In 1969 the chair was reintroduced and became a solid commercial success (Pet. 42a). At the time of trial, the evidence as to a reasonable royalty ranged from $1 to $6.25 (Tr. 148-149). Thus, as a matter of fact and

law, the evidence demonstrated that there was no "established royalty" for the '992 chair. *Faulkner* v. *Gibbs,* 199 F. 2d 635, 638 (9th Cir. 1952). The Court of Appeals correctly held that the jury was not obliged to limit the royalty to one dollar (Pet. 33a) but could determine a reasonable royalty based on all the evidence.[9] *See Maloney-Crawford Tank Corp.* v. *Sauder Tank Co., Inc.,* 511 F. 2d 10 (10th Cir. 1975) (average royalty of $128 over seven-year period did not preclude finding that $964 was reasonable royalty).

The cases which petitioners cite, *Cold Metal Process Co.* v. *E. W. Bliss Co.,* 285 F. 2d 231 (6th Cir. 1960), *cert. denied,* 366 U.S. 911 (1961) and *Duplan Corp.* v *Deering Milliken Research Corp.,* 522 F. 2d 809 (4th Cir. 1975), do not limit or even concern the jury's function in finding a reasonable royalty. A cursory reading shows their complete dissimilarity from, and inapplicability to, the present case.[10] The petitioners' arguments about the amount of the royalty represent no more than a litigant's dissatisfaction with a jury verdict which was correct when made and has now been affirmed by two courts. The argument that a reasonable royalty in 1974 was almost four times the royalty in a 1961 agreement, while arithmetically correct, is no basis for certiorari. Such arguments raise no legal issues or

[9] A royalty of $1.00 charged to Flexsteel in 1972 when the respondents had "to compete against the already entrenched [petitioners] and the whole matter was in litigation" (Pet. 33a) was obviously not an "established" royalty (Pet. 33a). Nor did the jury accept the petitioners' unsound argument—now re-asserted (Pet. 12)— that a statement taken out of context from a 1970 Spound letter was material to the issue of a reasonable royalty under the statute.

[10] *Cold Metal* involved much-litigated patents for rolling mills in the steel industry and a much-litigated license agreement in which the royalty had already been established by federal court decisions. See *Cold Metal Process Co.* v. *E. W. Bliss Co., supra* at 240. *Duplan* involved the question whether an exclusive use licensee had standing as a co-plaintiff with the patent holder to sue an infringer.

important policy considerations but only quarrel with the application of a settled legal principle—in this case, the jury's fact-finding function. As such, they are an inappropriate basis for certiorari. *See Hamilton-Brown Shoe Co.* v. *Wolf Brothers & Co.,* 240 U.S. 251, 258.

(2) The decisions of the District Court and the Court of Appeals do not conflict in any way with *Sakraida* v. *Ag Pro, Inc.,* 96 S. Ct. 1532 (1976), a non-jury case which involved a long, complicated history of prior litigation (reflected in four opinions by the Fifth Circuit — *see Sakraida* v. *Ag Pro Inc., supra* at 1533-34) concerning a combination patent on a water flush system for dairy barns. In *Sakraida,* this Court held the patent invalid for obviousness, under the settled principles of *A & P Tea Co.* v. *Supermarket Corp.,* 340 U.S. 147 (1950) as merely a combination of old elements performing old functions.

Here, the evidence showed that the '992 invention was a chair with new and unusual functions (Tr. 12, 328-329; Pet. 36a), that it achieved unusual and beneficial results, and that it was a substantial advance in the furniture art (Ex. 7, p. 16; Tr. 422-423). Contrary to petitioners' unjustified assertion, the Court of Appeals scrutinized the '992 patent and its elements and concluded that the evidence virtually compelled the conclusion that the '992 chair was inventively different from anything in the prior art, including Spound's own '347 chair (Pet. 362).

In fact, the invention received three levels of careful scrutiny. First, the jury found that the invention was non-obvious, having been instructed under 35 U.S.C. §103. Next, the District Court considered the sufficiency of the evidence and ruled the patent valid.[11] Finally, the Court of Appeals reviewed the determinations of the jury and

[11] This determination was not, as petitioners improperly charge, a "rubber stamp approval" (Pet. 16) but an independent review of the entire record (Pet. 15a-19a).

the district judge (including a consideration of the '992 in light of *Sakraida* (Pet. 51a)), and concluded on all the evidence that the patent was valid.

Thus, nothing in the decision below is inconsistent with *Sakraida* v. *Ag Pro Inc.*, 96 S.Ct. 1532, or raises the spectre of forum shopping or abdication of any constitutional duties by the Court of Appeals. The fact that one patent—now expired—has been held valid represents no conflict with other decisions of this Court and affords no proper basis for the exercise of certiorari jurisdiction.

Conclusion

For all the foregoing reasons, the Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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